

**TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE**



**CORRECTED  
FISCAL NOTE**

**HB 3633 - SB 3593**

April 5, 2010

**SUMMARY OF BILL:** Requires any state department, agency, or institution to obtain bids for commercial grade motor vehicle insurance prior to the purchase of a vehicle. Requires the Board of Claims to determine the type motor vehicles that are considered commercial grade. Requires the department, agency, or institution to maintain insurance coverage for the entire period of ownership. Authorizes the Board of Claims to approve the insurance company. Requires the minimum financial strength for insurance companies to rank at A- VI on the A.M. Best scale when submitting insurance coverage proposals on state buildings.

**ESTIMATED FISCAL IMPACT:**

On February 19, 2010, we issued a fiscal note indicating a *not significant increase in state expenditures*. Upon further review and additional information provided by the Departments of Correction, Transportation, and General Services, the fiscal impact of the bill is as follows:

**(CORRECTED)**

**Increase State Expenditures – Exceeds \$5,000,000**

**Assumptions:**

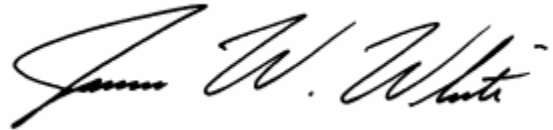
- Commercial grade vehicle is defined by the Tennessee Department of Safety as a vehicle that exceeds 26,000 pounds or is designed to seat more than 15 people.
- The exact cost of insurance premiums per vehicle is unable to be determined at this time. Estimates obtained by the Departments of Correction and Transportation range from \$3,000 per vehicle to \$7,500 per vehicle.
- According to the Department of Correction, there are 22 buses that will require insurance within the Department. This insurance coverage will result in an estimated recurring increase in state expenditures of \$132,000 (22 buses x \$6,000 average premium per vehicle).
- According to the Tennessee Department of Transportation, there are 1,367 commercial grade vehicles within the Department that will require insurance. This insurance coverage will result in an estimated recurring increase in state expenditures of \$4,101,000 (1,367 x \$3,000 per vehicle).
- According to the Department of General Services, there are 46 commercial grade vehicles within the Department that will require insurance. This insurance coverage will result in an estimated recurring increase in state expenditures of \$345,000 (46 vehicles x \$7,500 premium per vehicle).

**HB 3633 - SB 3593 (CORRECTED)**

- The number of commercial grade vehicles owned by the University of Tennessee system and Tennessee Board of Regents system is not included in these estimates. According to a Department of Treasury survey of agencies, Universities indicated they currently use charter buses with liability coverage for transporting teams and large numbers of students to sporting events and competitions.
- According to the Department of Treasury, any cost for the adjustment in these requirements and review of submitted documents can be accommodated within existing resources without an increased appropriation or reduced reversion.
- The A.M. Best Company provides an independent opinion of an insurer's financial strength and ability to meet its ongoing insurance policy and contract obligations.
- Total estimated recurring increase in state expenditures is estimated to be in excess of \$5,000,000.

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "James W. White". The signature is fluid and cursive, with the first name "James" written in a smaller, more compact script than the last name "White".

James W. White, Executive Director

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